

ORIGINAL
OPEN MEETING



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MEMORANDUM

Arizona Corporation Commission

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MAR 15 2011

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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 15, 2011

DOCKETED BY

RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION FOR APPROVAL OF
REVISED PRICING PLAN RIDER-3 MARKET COST OF COMPARABLE
CONVENTIONAL GENERATION (DOCKET NO. E-01933A-11-0060)

Background

On February 1, 2011, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised Pricing Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to update its avoided cost rate. TEP's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for purchases of excess energy from Net Metering Facilities.

The Commission's Decision No. 71411 approving TEP's Pricing Plan Rider-4 Net Metering for Certain Partial Requirements Service tariff ("NM-PRS") stated:

Each calendar year, for the customer bills produced in October (September usage) or a customer's "Final" bill, the Company would credit the Customer for the balance of excess kWhs remaining. The payment for the purchase of these excess kWhs would be at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its proposed Pricing Plan Rider-3 applicable to NM-PRS. ... The proposed Rider-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to Pricing Plan Rider-3 would decrease the MCCCG and therefore decreases the avoided cost rate from 3.291¢ per kWh to 3.0041¢ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed TEP's hourly marginal costs that resulted in the 3.0041¢ rate and finds the data and calculations to be reasonable.

Recommendations

Staff recommends that TEP's revised Pricing Plan Rider-3 (MCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

Staff further recommends that TEP file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:lhv\SH

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE
 Chairman

3 BOB STUMP
 Commissioner

4 SANDRA D. KENNEDY
 Commissioner

5 PAUL NEWMAN
 Commissioner

6 BRENDA BURNS
 Commissioner

7
8 IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01933A-11-0060
9 OF TUCSON ELECTRIC POWER)
10 COMPANY FOR APPROVAL OF REVISED) DECISION NO. _____
11 PRICING PLAN RIDER-3 MARKET COST) ORDER
 OF COMPARABLE CONVENTIONAL)
 GENERATION)

12 Open Meeting
13 March 29 and 30, 2011
 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide
17 electric service as a public service corporation in the State of Arizona.

18 2. On February 1, 2011, TEP filed an application for approval of its revised Pricing
19 Plan Rider-3, Market Cost of Comparable Conventional Generation ("MCCCG") to update its
20 avoided cost rate. TEP's proposed Pricing Plan Rider-3 specifies a standard rate to be paid for
21 purchases of excess energy from Net Metering Facilities.

22 3. The Commission's Decision No. 71411 approving TEP's Pricing Plan Rider-4 Net
23 Metering for Certain Partial Requirements Service tariff ("NM-PRS") stated:

24 Each calendar year, for the customer bills produced in October (September usage)
25 or a customer's "Final" bill, the Company would credit the Customer for the
26 balance of excess kWhs remaining. The payment for the purchase of these excess
27 kWhs would be at the Company's applicable avoided cost. TEP has defined its
28 avoided cost as the average hourly market cost of comparable conventional
 generation as specified on its proposed Pricing Plan Rider-3 applicable to NM-PRS.
 ... The proposed Rider-3 indicates that the MCCCG will be filed annually (by
 February 1) by TEP for approval by the Commission.

Proposed Tariff

4. TEP's proposed revision to Pricing Plan Rider-3 would decrease the MCCCCG and therefore decreases the avoided cost rate from 3.291¢ per kWh to 3.0041¢ per kWh for purchases of excess energy from Net Metering Facilities.

5. Staff has reviewed TEP's hourly marginal costs that resulted in the 3.0041¢ rate and finds the data and calculations to be reasonable.

Recommendations

6. Staff has recommended that TEP's revised Pricing Plan Rider-3 (MCCCCG) as applicable to Pricing Plan Rider-4 NM-PRS be approved.

7. Staff has further recommended that TEP file a Pricing Plan Rider-3 consistent with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

3. Approval of the revised Pricing Plan Rider-3 does not constitute a rate increase as contemplated by A.R.S. Section 40-250.

4. The Commission, having reviewed the application and Staff's Memorandum dated March 15, 2011, concludes that the revised Pricing Plan Rider-3 should be approved as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Pricing Plan Rider-3 be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that the avoided cost rate of 3.0041¢ per kWh shall be effective as of April 1, 2011.

...

...

1 IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a revised
2 tariff consistent with this Decision, with Docket Control as a compliance matter to this docket,
3 within 15 days of the effective date of this Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8
9 CHAIRMAN

COMMISSIONER

10
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, Ernest G. Johnson, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2011.

18
19 _____
20 ERNEST G. JOHNSON
21 EXECUTIVE DIRECTOR

22
23 DISSENT: _____

24
25 DISSENT: _____

26
27 SMO:JJP:lhbm\SH
28

SERVICE LIST FOR: Tucson Electric Power Company
DOCKET NO. E-01933A 11-0060

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